CHAPTER IV

HUMAN RESOURCE MANAGEMENT - CONCEPTUAL REVIEW
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INTRODUCTION

The term Human Resource Management (HRM) has become very popular in the recent past. It is very difficult to pinpoint exactly the meaning of the term human resources. Because, different people use different terms to denote HRM. For example Leon C. Megginson, says that human resources can be thought of as “the total knowledge, skills, creative abilities, talents and aptitudes of an organization’s work force as well as the value attitudes and beliefs of the individuals involved”. Milkovich and Boudrean defined HRM as: HRM is a series of integrated decisions that form the employment relationship, their quality contributes to the ability of the organization's and the employees to achieve their objectives. In essence, HRM means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirements.

HISTORY AND DEVELOPMENT OF HRM

Till the beginning of the industrial revolution, human resources were not given much importance. Only during the period of industrial revolution, the significance of HRM was felt. The development of HRM has undergone changes through different stages over the period and they are briefly explained below:
i) Industrial Revolution Era:

The systematic development of HRM started with industrial revolution, which started during 1850’s. The industrial revolution gave rise to factory system with large number of work force working together. In order to manage people in the factory system, three systems of HRM, viz. recruitment, training and control, were followed. However, the basic philosophy of managing workers revolved around master - servant relationship.

ii) Trade Union Movement Era:

After the emergence of factory system, workers working in groups, started organizing themselves into associations during the close of the 19th century. This association was later known as Trade Unions. These unions, to safeguard their interests, indulged in strikes, slow downs, walkouts, boycotts, etc. These activities forced the owners to introduce employee grievance redressal system, arbitration to solve conflicts, disciplinary practices, employee benefit programmes, holidays and vacation time, rational wage structure, etc.,

iii) Social Responsibility Era:

In the first decade of 20th century, some factory owners started adopting a more humanistic and paternalistic approach towards workers. In order to increase productivity, the employees were given satisfactory living and working conditions and provided with toilets, shower baths, quarters, etc. The working hours were reduced from 12 to 10.
iv) Scientific Management Era:

Around the beginning of the 20th century (1900 - 1920), F.W. Taylor tried to find out one best way of doing things based on Time and Motion studies. This helped to increase productivity. During this period some other experts also contributed towards the development of workers' efficiency with enough benefits to them such as incentive wage system, bonus, etc.

v) Human Relations Era:

Around 1930's, management researchers gave a close look at the human factor at work. During the period of 1924-1932, some professors of Harward Business School (USA) conducted researches and concluded that the productivity of workers depends on social factors at the work place, group influence, leadership and supervision. They also concluded that in order to have better productivity, management should take care of human relations beside the physical conditions at the work place.

vi) Behavioral Science Era:

During 1950’s and 60’s, the behavioral scientists stressed that human behavior was the major means to achieve goal and efficiency. Their contributions to management practices consist primarily of producing new insights rather than new techniques. The contributions of behavioral scientists were in the areas of motivation, leadership, communication, organizational change and development, integrating individual and organization, and group dynamics. These contributions of behavioral science era are the backbone of behavioral approach of human resource management even in the present context.
vii) Systems and Contingency Approach Era:

(1960 - 1980): It is an integrated approach which considers management in its totality based on empirical data. The basic idea of this approach is that any object must rely on a method of analysis involving simultaneous variations of mutually dependent variables. This happens when systems approach is applied in managing. Contingency approach suggests that it is an approach where the behavior of one sub-unit is dependent on its environmental relationship to other units or sub-units that have control over the consequences derived by that sub-unit.

viii) Human Resource Management Era:

(1980 onwards): When the people started working together in the factory system, it was felt that there must be somebody to look after recruitment, development, welfare, etc. For this purpose, the Industrial Relations department was started in many organizations. As time passed, due to complexity of operations of large organizations, the industrial relations covered other personnel areas such as supervisory, managers, etc. and hence this department was called personnel department. With increasing competition for resources including human talents, people were not treated just as physiological beings but as socio-psychological beings that form prime source of organizational effectiveness and hence large organizations shifted their emphasis from personnel management to Human Resource Management.

MEANING OF HRM

Every organization aims at accomplishing its objectives. HRM helps to achieve this aim. HRM is concerned with the people who work in the organization to achieve its objectives. It is concerned with acquisition of appropriate human resources, developing their skills and competencies, motivating them for best performance and ensuring their continued
commitment to the organization to achieve organizational objectives. HRM refers to activities and functions designed and implemented to maximize organizational as well as employee’s achievement.

1. In HRM, there is an emphasis on development aspect of the human being. It is strongly believed in this philosophy that the collaborative and participative efforts of the human resources are to be nurtured and developed to the fullest extent and HRD is the foundation of this philosophy.²⁰

CONCEPT OF HRM

HRM is designed in terms of its proactive approach to managing people in the organization. There are 4 elements of HRM as listed by John Storey.

1. A set of beliefs and assumptions
2. A strategic thrust embodying decisions about people management.
3. The central involvement of line management.
4. Dependence upon a set of levers to determine the employment relationships.

SIGNIFICANCE OF HRM

Human resources are the most precious asset of an organization. They are activators of non-human resources, means for developing competitive advantages and sources of creativity provided they are managed effectively.²¹


This indicates that the role of HRM in industries is of paramount importance. The significance of HRM can be understood from the following:

**A. Organisational significance**

HRM helps individual organizations in achieving their objectives certainly. Their achievement is made through

- effective utilization of human resources through motivation,
- developing personnel to meet the changing demands of work life,
- ensuring the requirement and relation of personnel in the organization, so that right people are available at right time and at right place.

**B. Social Significance**

The employees of the organization are drawn only from the society. It is often said that a happy worker is not only happy at the workplace but at home and in society too. HRM helps the following.

- Maintains balance between jobs and job seekers.
- Provides most productive employment from which the employees derive socio-psychological satisfaction.
- Match the human contribution to the organization and the rewards given by the organization.
- Eliminates wasteful practices.

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22 ibid, P. 15
C. Professional significance

Professional significance of HRM lies in developing people and providing appropriate environment for effective utilization of their capabilities. This can be done by

- Developing people continuously to meet the challenges of their jobs.
- Maintaining the dignity of personnel at the workplace.
- Providing proper physical and social environment at workplace.
- Providing opportunities and incentives for developing and utilizing creativity.

The significance of HRM can also be understood from the words of Arthur Lewis: There are great differences in development between countries which seem to have roughly equal resources, so it is necessary to enquire into the difference in human behavior.23

It is often felt that though the exploitation of natural resources, availability of physical and financial resources and international aid play prominent roles in the growth of modern economies, none of these factors is more significant than efficient and committed manpower.24 It is in fact said that all development comes from human mind. No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human.

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24 Ibid P. 9
FEATURES OF HRM

The features of HRM are given below:

(i) *A part of management discipline:*

A discipline is an accepted science with a theoretical foundation that serves as the basis for research and analysis. HRM, being a part of management process, draws heavily from management concepts, principles and techniques and apply them in the management of human resources.

(ii) *A Process:*

A process is an identifiable flow of information through interrelated stages of events directed towards achievement of objectives. HRM uses four basic processes of management viz, planning, organizing, directing and controlling in the areas of recruitment, selection, development, integration and maintenance of the people in the organization so as to achieve its objectives.

(iii) *A continuous activity:*

Process is a continuous phenomenon in which events and relationships are seen as dynamic and flexible. HRM is a continuous process and not a one-step action. It can not be practiced only one hour each day or one day a week. It requires a constant alertness and awareness in every day operations.
(iv) Concerned with people:

HRM is concerned with people in the organization both present and potential. In fact, it is HRM that brings people to the organization. Further, HRM is concerned with all types of personnel in the organization, viz, top management, middle management, supervisory management and operatives.

(v) Directed towards achievement of objectives:

HRM provides tools and techniques for managing people in the organization effectively. The achievement of organizational objectives depends largely on quality of its people and the way this quality is utilized in getting the things done.

(vi) Universal Existence:

HRM is not confined merely to business organizations but is relevant to all organized activities. It is concerned with the people dimension in management. This is true regardless of the type of organization—government, business, education, health, recreation or social action.

OBJECTIVES OF HRM

Generally objectives are pre-determined goals to be designed to achieve in future to which individual or group activity in an organization is directed. Human resources are directed towards and for the accomplishment of such objectives of the organization. In this context, the objectives of HRM may be stated as follows:

1. To create an able workforce to accomplish the organizational goals.
2. To establish and maintain desirable working relationships among all the members of the organization.

3. To secure the integration of individuals and groups within the organization.

4. To create facilities and opportunities for individual/group so as to grow with that of the organization.

5. To satisfy individual and group needs by providing adequate and equitable wages, incentives, employee benefits and social security.

6. To maintain high employee morale by sustaining and improving the various conditions of service and facilities.

7. To strengthen and appreciate the human assets continuously by providing training and development programmes.

8. To provide an opportunity to express and voice their needs in the management.

9. To create favorable atmosphere for maintaining stability of employment.

10. To provide fair, acceptable and efficient leadership.

FUNCTIONS OF HRM

The functions of HRM may be broadly grouped into management functions and operative functions. Management functions include planning, organizing, directing and controlling of personnel activities. The operative functions of HRM may be classified into five categories and they are human resource acquisition, human resource development, appraisal and compensation, integration and maintenance, and industrial relations. Each of the categories may further be sub-divided as presented below.
(i) HR acquisition includes HR planning, recruitment, selection, placement, and induction.

(ii) HR development includes HRD systems, training, management development and organization development.

(iii) Appraisal and compensation include performance appraisal, base compensation, incentives and benefits.

(iv) Integration and maintenance include integration of HR, motivation, empowerment, participation, communication, HR mobility, safety and health and stress management.

(v) Industrial relations include industrial relations systems, discipline, grievance, and management of disputes.

**SUB-SYSTEMS OF HRM**

Every system has sub-systems which are arranged and interconnected in a particular way. Each sub-system is identified by certain objectives, process, roles and norms of conduct. HRM being a system, contains various sub-systems which are linked to each other as shown in the following Figure (Figure 4.1).
There are 8 sub-systems in HRM system with each sub-system having various sub-systems. For example, staffing sub-system contains HR planning sub-system, recruitment and selection sub-system, induction and placement sub-system and so on.

Another important issue in the management of a system is the linking of various sub-systems to consider it as a whole so that there is positive contribution from each sub-system. If a particular sub-system does not work properly, it shall have negative impact on other sub-systems and hence on the whole system. Therefore, there should be proper balancing among different sub-systems of HRM.
HRM AND HRD

Many people use these two terms, namely, HRM and HRD, interchangeably. Is it right? If fact, the formal introduction of the concept of HRD was done by Prof Leonard Nadler in 1969 in American Society for Training and Development Conference. This concept of HRD is not yet well conceived by various authors though they have defined the term from their approach as it is of recent origin and still is in the conceptualising stage. Hence to draw a distinction between HRM and HRD, we have to look at the objectives and coverage of both HRM and HRD.

The basic objective of HRM is to develop competitive advantages based on human resources. In order to achieve this objective, it undertakes various functions on proactive basis that ensure the availability of right people, at right place and at the right time. On the other hand, the basic objective of HRD is to develop human resources with matching organisational culture and provide inputs for the effective performance of various HRM functions. From this point of view, HRD is a sub-system of HRM and this view has been considered in this report.

PERSONNEL MANAGEMENT AND HRD

The difference between the traditional personnel management functions and HRD are given in Table 4.1.

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TABLE 4.1

POINTS OF DIFFERENCE BETWEEN
PERSONNEL MANAGEMENT AND HRD

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Point of distinction</th>
<th>Personnel function</th>
<th>HRD function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Orientation</td>
<td>Maintenance oriented</td>
<td>Development oriented</td>
</tr>
<tr>
<td>2.</td>
<td>Structure</td>
<td>An independent function with independent sub-function</td>
<td>Consists of inter-dependent parts</td>
</tr>
<tr>
<td>3.</td>
<td>Philosophy</td>
<td>Reactive function, responding to events as and when they take place</td>
<td>Productive function trying to anticipate and get ready with appropriate responses</td>
</tr>
<tr>
<td>4.</td>
<td>Responsibility</td>
<td>Exclusive responsibility of personnel department</td>
<td>Responsibility of all managers in the organisation</td>
</tr>
<tr>
<td>5.</td>
<td>Motivators</td>
<td>Emphasis is put on monetary rewards</td>
<td>Emphasis is on higher-order needs such as-how to design jobs with stretch, pull and challenge, how to improve creativity and problem solving skills, how to empower people in all respects, etc.</td>
</tr>
<tr>
<td>6.</td>
<td>Outcomes</td>
<td>Improved performance is the result of improved satisfaction and morale</td>
<td>Better use of human resources leads to improved satisfaction and morale</td>
</tr>
<tr>
<td>7.</td>
<td>AIMS</td>
<td>Tries to improve the efficiency of people and administration</td>
<td>It tries to develop the organisation as a whole and its cultures.</td>
</tr>
</tbody>
</table>

Source: Secondary Data
HRD MATRIX

The interrelationships between HRD instruments, processes, outcomes and organizational effectiveness is presented schematically Figure 4.2.
HRD MATRIX

FIGURE 4.2

HRD Mechanism
Or sub-systems
or instruments

- HRD
- Performance Appraisal
- Review, Discussing, Feedback, counseling sessions
- Rob Analysis Exercises
- Training
- Communication policies
- Job rotations
- OD exercises
- Rewards
- Other mechanics

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HRD Process & HRD Climate Variables
- Role clarity
- Planning of Development by every employees
- Awareness of competencies required for job performance
- Proactive orientation
- More trust
- Collaboration & team work
- Authority
- Openness
- Risk-taking
- Value generation
- Classification of norms and stds
- Increased communication
- More objective rewards
- Generation of objective, Data an employee, etc

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HRD outcomes Variables
- More competent people
- Better developed roles.
- Higher work commitment & job involvement
- More problem solving
- Better Utilisation of HR
- Higher job satisfaction and work motivation and work motivation.
- Better generation of internal resources
- Better organized health.
- More Team-work synergy and respected for each other

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Organisational Effectiveness Dimensions
- Higher productivity
- Growth and Diversification
- Cost reduction
- More profits
- Better image

Other Factors
Personnel potreies,
Top Management Styles,
Investments’ commitments, History,
previous culture
Line manager’s Interest, etc

Other factors
Environment, Technology,
Resource, Availability,
History, Nature of business etc

(T.V.Rao, The HRD Missionary,
HRD IN INDIAN INDUSTRY

Till the 1970's, the Indian industries were not very sure whether the HR philosophy would yield any concrete gains. Only in the 70's, the large units started slowly establishing HR units in their organizations. L&T was the first company to design and implement an integrated HRD system. The first workshop on HRD was held in 1979. The Xaviour Labour Relations Institute (XLRI), Jamshedpur, was the first academic institution to set up a full-fledged centre for HRD. A national HRD network was also setup in 1985. Looking at the gains from HRD systems, many leading Indian companies started creating separate HR department in their organization.

Prof. T.V. Rao, studied the HR practices in 53 Indian companies, both public and private and reported as:

- Only 32% of the companies had a format HRD policy.
- Only 30% of those organizations had a separate HRD department.
- Only 26% of these organizations had development oriented performance appraisal systems.
- About 55% of the companies had definite training policy.
- About 50% of the companies designated a person to take care of organization development (O.D) activities.
- In about 80% companies, employee counseling has encouraged actively.

To judge HR climate, another survey was conducted by Prof. T.V. Rao and the survey reported an urgent need for introducing HR practices. Employers were not doing much to improve the quality of work life of employees. The employees themselves were not very enthusiastic.
about learning new skills in their own self-interest. With increasing competition, companies nowadays have realized the importance of introducing systematic HR practices in a big way. Companies now talk about New People Management (NPM) with objectives such as (i) organizational learning must involve employee training (ii) job responsibilities must facilitate personal development (iii) business strategies must consider human resource issues (iv) company’s profits must be linked to personal rewards, etc.

In order to meet these objectives, companies must have people with requisite knowledge and skills. Those who add no value to corporate growth may be sent out.

Another survey of 35 companies was conducted by Business Today in 1996 which has reported a favorable HR climate in Indian industries.

Developing and executing HR policies, programmes and practices that align human efforts to corporate goals is not easy.27 It needs consistent support and continued blessings of the top management. In order to elicit the best out of people, we need to greet them with good HR practices.

Prof.T.V.Rao has summed up the current thinking in the field thus: "We must understand that corporations are not in the business of HRD. They are in their own business. But, HRD is an important tool which unfortunately is being used in a limited sense". The corporate vision has not been attached to it. Actually, human resources must become the business of every one in the organisation.